INTRODUCTION OF THE MEDICARE PHYSICIAN PAYMENT REFORM ACT OF 2005

Monday, 12 December 2005

Throughout this year, myself, my colleagues, and our staff have been bombarded by physician lobbyists desperate to prevent a 4.4 percent reduction in Medicare payments scheduled to go into effect in January 2006. While I can empathize with their desire for more money - who doesn't want a raise? - I think it's time that we quell this fevered pitch with a dose of reality and a few facts. That is why I am introducing the Medicare Physician Payment Reform Act today.

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Tuesday, December 13, 2005

Mr. Speaker,

Throughout this year, myself, my colleagues, and our staff have been bombarded by physician lobbyists desperate to prevent a 4.4 percent reduction in Medicare payments scheduled to go into effect in January 2006. While I can empathize with their desire for more money - who doesn't want a raise? - I think it's time that we quell this fevered pitch with a dose of reality and a few facts. That is why I am introducing the Medicare Physician Payment Reform Act today.

Without Congressional intervention, physician fees will decrease 4.4% next year and an estimated 5% reduction for many years thereafter. This is due to what is widely agreed upon to be a flawed formula in the payment system known as the sustainable growth rate (SGR).

That being said, it is important to note that even if the cuts go into effect next year, total spending for physician services would more than likely increase. This is because physicians have been steadily providing more services, and more intensive services, in recent years. While some growth may be desirable - for example providing additional preventive services - data show that much of the current growth has no clinical benefit or may even be harmful. Although I agree that our current SGR mechanism is flawed, I have serious reservations about repealing it without putting something in its place that will account for the increase in volume and intensity of physician services in Medicare.

At the same time physician groups and members of Congress have been focused on the SGR, other issues with the physician fee schedule have emerged, including the accuracy of pricing for primary care services. These issues, although less well known, are critical to maintaining beneficiary access to high quality care. It has been fourteen years since the current reimbursement system was implemented. It is time for Congress to receive an evaluation of how well this system is meeting

its goals. In our effort to find a permanent solution to the SGR, we should not miss an opportunity to address these underlying issues.

Medicare Physician Payment Reform Act calls on the Medicare Payment Advisory Committee (MedPAC) to conduct a comprehensive review of the physician payment system, including recommendations on the accuracy of Medicare pricing and alternatives to the SGR. To allow time for MedPAC to complete their work, the bill provides for a 1.5% increase for the next two years for physicians.

The bill also provides two important additional components. First, the bill protects beneficiaries from Part B premium increases that would otherwise result from the physician update. Second, it repeals the so-called “45 percent trigger,” which was created in the Medicare Modernization Act of 2003 to restrict Medicare's general revenue support. If this trigger is left in place, physician increases will force a counter-productive, cyclical effort to cut Medicare spending.

Given problems with potentially unjustifiable increases in volume and intensity of physician services, coupled with other perverse financial incentives in the system, repeal of the SGR is irresponsible and unaffordable. Likewise, the status quo is unacceptable. It is clear that problems with the physician fee schedule go far beyond the difficulties of the SGR, and Congress needs expert guidance to find solutions.

Congress has become quite proficient at short term solutions to Medicare physician payment problems. Unfortunately, this near-sighted view comes at the expense of other Medicare changes that could directly improve benefits or decrease costs for Medicare beneficiaries. This bill lays out a plan for a permanent solution enabling physicians to count on fair annual payment adjustments. It's better for physicians, patients and the American taxpayer.

Numerous proposals have been introduced to find solutions to these payment problems and such a fix is included in the Senate version of the pending budget reconciliation legislation. The concept of pay for performance is also heavily promoted as a potential solution, though everyone should admit that it would take many years for it to be implemented and prove effective.

I think it's imperative we ask the experts for their recommendations before acting, while at the same time ensuring access is maintained and beneficiaries are protected. The Medicare Physician Payment Reform Act of 2005 will provide the intellectual foundation to enable Congress to enact a thoughtful, permanent solution for the physician reimbursement system by 2008. I urge my colleagues to consider this approach as the best alternative to ensure that physicians are appropriately paid and beneficiaries are protected.